

Commonwealth of Massachusetts
State Treasurer & Receiver General Timothy P. Cahill
Debt Management Department



Solicitation for Liquidity Support Facility
\$246,655,000 General Obligation Variable Rate Demand
Bonds

January 21, 2009

SOLICITATION

FROM: Colin MacNaught, Assistant State Treasurer for Debt Management

DATE: January 21, 2009

RE: Solicitation for Liquidity Support Facility – Commonwealth of Massachusetts General Obligation Variable Rate Demand Bonds (VRDBs)

Overview:

The Office of the State Treasurer of the Commonwealth of Massachusetts (the “Commonwealth”) is requesting proposals from qualified financial institutions to replace a Standby Bond Purchase Agreement (SBPA) on its General Obligation Refunding Bonds (Variable Rate Demand Bonds), 1998 Series A (the “Bonds”). The current facility is due to expire on March 13, 2009.

The Commonwealth currently maintains ratings of ‘AA’ from Fitch Ratings, ‘Aa2’ from Moody’s Investors Services, and ‘AA’ from Standard & Poor’s. Copies of the Commonwealth of Massachusetts Information Statement dated August 22, 2008 and a supplement dated December 4, 2008 have been filed with each Nationally Recognized Municipal Securities Information Repository and are also available on DAC. However, if you would prefer a copy mailed to you directly, please request so at the e-mail address listed below. An amortization schedule for the Bonds has been included as Exhibit A. A form Standby Bond Purchase Agreement and a 1998 Series A bond specimen are also available on the Office of the State Treasurer website.

Purpose of Solicitation:

The purpose of this solicitation is to receive bids from financial institutions for liquidity support in the form of a Standby Bond Purchase Agreement (“SBPA”).

Schedule:

<u>Target Date</u>	<u>Event</u>
01/21/2009	RFP distributed to interested financial institutions
02/02/2009	Responses due at the address listed below by 12 noon EST
02/09/2009	Estimated date for Commonwealth approval of SBPA



Terms & Conditions:

- A. The Commonwealth reserves the right to reject any or all proposals, the right in its sole discretion to accept the proposal it considers most favorable to the Commonwealth's interest, and the right to waive irregularities in the procedures set forth herein, except the time of filing of the response to this request for proposal. The Commonwealth further reserves the right to reject all proposals and seek new proposals when such procedure is reasonable and in the best interest of the Commonwealth.
- B. The Commonwealth reserves the right to request clarification of information submitted and to request additional information of one or more applicants.
- C. Any proposal may be withdrawn prior to the opening of the proposal, upon written request of an authorized individual.
- D. The Commonwealth will not be liable for any costs incurred in the preparation of any response to this proposal.
- E. The Commonwealth reserves the right to conduct personal interviews of any or all applicants prior to selection.
- F. In making the selection, consideration will be given to the respective fee quotations submitted. However, pricing will be weighed amongst other factors including a firm's financial stability including credit ratings.
- G. The Commonwealth considers all information, documentation and other materials requested to be submitted in response to this solicitation to be of non-confidential and/or non-proprietary nature and therefore shall be subject to public disclosure after the RFP process is completed.
- H. The Commonwealth reserves the right to modify the specifications identified in the solicitation at any time. The Commonwealth reserves the right to negotiate with the selected bidder(s) as to any element of cost or performance in order to achieve the best value for the Commonwealth.

Questions (be specific):

1. *Bank Information:* Provide general information on your firm, including name, address, e-mail address, phone number, and fax number of the contact person who is authorized to answer questions and negotiate final terms and conditions on behalf of the bank.



2. *Liquidity Amount:* See Exhibit A for the maturity schedule for the “Bonds”.
3. *Pricing:* Using the Form Pricing Sheet attached hereto (**Exhibit B**) please indicate all annual and up-front fees (if any) your firm would charge the Commonwealth for a SBPA that would secure the payment of principal and interest on the VRDBs for a period of 364 days, two (2) years, and three (3) years. Indicate the bank’s basis for calculating its fees (e.g. actual/actual, actual/360, 30/360). Furthermore, please provide any pricing differential the Bank may have based upon the various interest rate modes available to the VRDBs (i.e. daily, weekly, monthly, semi-annual, and term).
4. *Draw Fee:* Indicate the bank’s administrative fee, if any, for actual utilization of the SBPA.
5. *Term:* Please consider the following term options: 364-day, two (2) years, three (3) years and maximum term, as available. The Commonwealth prefers obtaining an “evergreen” provision – indicate renewal procedures and terms.
6. *Interest Rate:* The Commonwealth prefers that the bank interest rate charge be tied to the Federal Funds rate or 30-day LIBOR. Please provide the interest rates the Commonwealth would be charged in the event of default. Indicate the method that will be used to calculate interest charges.
7. *Experience:* Please include a list of three transactions closed within the past two years for which your bank has provided credit and/or liquidity support for entities similar to the Commonwealth. Please list a reference (name, title and telephone number).
8. *Legal Counsel:* Indicate the law firm and primary lawyer that will represent the bank in this transaction. Please provide the name, address, phone number, fax number and e-mail of each such contact person. Mintz Levin serves as bond counsel and disclosure counsel for the Commonwealth and will serve as such with respect to the facility.
9. *Credit Approval:* The Commonwealth would prefer that respondents obtain credit approval for this transaction prior to the submittal of a proposal. Please indicate whether such approval has been obtained and if not, please indicate the timing of credit approval once an award is made.
10. *Expenses:* The Commonwealth desires to set a limit on legal and out-of-pocket expenses incurred by the bank. Indicate: (a) a cap of legal fees and expenses of counsel to the bank; and (b) a cap on any other expenses to be incurred.
11. *Governing Law:* The Commonwealth would prefer to have Massachusetts or New York law apply to the rights and obligations of the bank. Please indicate your willingness to accept this provision.



12. *Information Relating to the Bank:* Please provide a copy of the bank's most recent audited financial statements. The Commonwealth expects to receive appropriate information relating to the bank for inclusion in its Official Statements.
13. *Bank's Ratings:* Please provide your firm's long-term and short-term ratings from Fitch, Moody's and Standard & Poor's for each of the last two years. Please comment on any relevant events that may have caused or recently have caused any of the rating agencies to change their rating or place such rating under review. Please be concise and specific; do not attach the rating reports from the rating agencies.
14. *Proposed Form of Documentation:* The Commonwealth has provided a form Standby Bond Purchase Agreement for consideration by participating banks. Please see the separately attached Standby Bond Purchase Agreement.

Delivery Instructions

Please deliver a copy of your responses via e-mail with subject entitled "Response to Commonwealth Solicitation for Bids on Liquidity Support Facilities" to the follow individuals:

Colin MacNaught, Assistant Treasurer for Debt Management
E-mail: cmacnaught@tre.state.ma.us

David Riedell, Deputy Assistant Treasurer for Debt Management
E-mail: driedell@tre.state.ma.us



Attachments:

Exhibit A

Commonwealth of Massachusetts
General Obligation Refunding Bonds
1998 Series A
(Variable Rate Demand Bonds)

<u>Due Date</u>	<u>Series A Bonds</u>
9/1/2009	15,255,000
9/1/2010	9,045,000
9/1/2011	31,160,000
9/1/2012	40,205,000
9/1/2013	31,125,000
9/1/2014	52,615,000
9/1/2015	47,165,000
9/1/2016	<u>20,085,000</u>
Total	246,655,000

Issuer: The Commonwealth of Massachusetts

Underwriter and
Remarketing Agents: 1998 Series A is remarketed by Banc of America Securities, LLC and the
tender agent is U.S. Bank.

Facility: Standby Bond Purchase Agreement

Facility Amounts: 1998 Series A: \$246,655,000



Exhibit B

COMMONWEALTH OF MASSACHUSETTS PROPOSAL INFORMATION FORM - STANDBY BOND PURCHASE AGREEMENTS

Name of Bank: _____

Contact Person: _____ **Phone:** _____

Fax: _____ **E-mail:** _____

Bank's Ratings:

Fitch: Long-term _____ Short-term _____ Outlook/Credit Watch _____

Moody's: Long-term _____ Short-term _____ Outlook/Credit Watch _____

Standard & Poor's: Long-term _____ Short-term _____ Outlook/Credit Watch _____

Facility Length	Commitment Fee (Up-front)	Annual Fee (Utilized)	Basis for Fee Calculation
364 Days			Actual/Actual
2 Years			Actual/Actual
3 Years			Actual/Actual
Other (specify)			Actual/Actual
SBPA fees are expected to be billed quarterly in arrears			
Draw Fee under SBPA			
Bank Interest Rate			
Default Rate			
Termination Fees			
Other			

Domestic Bank Legal Fees and Expenses: Estimated at \$ _____; capped at \$ _____

Foreign Bank Legal Fees and Expenses: Estimated at \$ _____; capped at \$ _____

Other Miscellaneous Expenses: Estimated at \$ _____; capped at \$ _____

Proposed Bank Counsel Foreign/Domestic and primary contact: _____

Time Frame for Credit Approval: _____

